

J. P. MORGAN TELLS SECRETS OF HIS VAST FINANCIAL INTERESTS

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Mr. Morgan concluded his testimony at 10 o'clock this afternoon.

After Mr. Morgan left, the stand the committee adjourned until Jan. 6.

At the opening of Mr. Morgan's examination Mr. Undermyer asked:

"Can't you give the committee a statement of the deposits of your banking firm in New York as of Nov. 1?"

Mr. Morgan approximated it at about \$100,000,000. He said he would furnish a statement showing the deposits of his partners.

Mr. Morgan said he and his partners were directors in some of the interstate corporations that "have accounts with J. P. Morgan & Co." His counsel agreed to furnish a list of those directors.

Mr. Morgan produced, in response to a question, copies of the fiscal agreements between J. P. Morgan & Co. and the New York Central and the New York, New Haven and Hartford Railroad companies.

ACTS AS FISCAL AGENT BY TACIT AGREEMENT.

Mr. Morgan said that there were no other such agreements made by his house. He said the firm acted as fiscal agent for other companies "by tacit agreement."

"You are acting for a number of other companies, are you not, including the United States Steel Corporation?" suggested Mr. Undermyer.

"Yes, but that is by a resolution of the Board of Directors of the Steel Corporation," said Mr. Morgan.

As to other agreements whereby the Morgan house became fiscal agent for corporations, he said they were "by word of mouth or by correspondence."

Mr. Undermyer read part of the New York Central fiscal agreement by which Morgan & Co. were made sole bankers for the railroad. Mr. Morgan said he had been a director of the New York Central for thirty years.

Included in the fiscal agreement for the New York Central lines were the Michigan Central, the Lake Shore and the Cleveland, Cincinnati, Chicago and St. Louis Railroads.

Mr. Morgan said that some issues of New York Central securities had been made in the last ten years through other banks than his house.

"I can't recall any but I think there were some," said he.

"In the last five years?"

"I don't remember of any. None that I can recall just now."

Mr. Morgan said that some information on that point he had been given by the firm had handled "several hundred millions" dollars' worth of New York Central securities and he thought that in the last ten years these securities had all been handled on a commission basis.

Mr. Morgan thought the New Haven, too, had issued securities not handled by Morgan & Co. in the last ten years.

Mr. Undermyer read from the papers furnished by Mr. Morgan the proposal from the Morgan house accepted by the New Haven. Morgan & Co. proposed in return for being made sole agents for the New Haven lines to take the New Haven stock nearly per cent. of the agreed sale price of its securities, at a "reasonable rate of interest" and to give the road the "benefits of counsel and advice."

This proposal was accepted Jan. 11, 1911, by the Maine Central; Dec. 23, 1910, by the Boston & Maine; and Dec. 15, 1910, by the New York, New Haven & Hartford. The acceptance in each case being signed by Charles S. Mellen.

"Can you give us from memory a list of other interstate corporations for which you are fiscal agents?" asked Mr. Undermyer.

Mr. Morgan could remember no others except the United States Steel Corporation, and could not estimate the number. Mr. Morgan said his firm had supplied the committee with data on that point. Mr. Undermyer replied that such data included only those corporations with which Morgan & Co. had formal agreements. Mr. Morgan said his firm acted for the American Telephone and Telegraph Company, the Northern Pacific and the Southern Railway, although they had no agreements with them.

NORTHERN PACIFIC REORGANIZATION TAKEN UP.

Mr. Undermyer took up the Northern

Pacific reorganization.

"Was that properly reorganized under a voting trust?"

Mr. Morgan said it was and that he was a member of the voting trust.

"In that connection," he added, "I'd like to present these reports of the voting trustees for the Northern Pacific and the Southern Railway."

Mr. Undermyer looked at the reports Mr. Morgan presented and asked if they were not "arguments by the voting trustees in behalf of their own management?" Mr. Morgan replied they were the reports of the trustees, and attorney Lindabury interposed to say they were "accounts of the stewardship of the voting trustees."

"Don't you think that interstate corporations should be entirely free to sell their securities in the open market and not be tied up to one firm, no matter how just its methods?" asked Mr. Undermyer.

Taking up the Southern Railway situation, he said he saw no objection to directors appointed by himself as trustees in behalf of their own management. Mr. Morgan replied that he did not think securities of interstate corporations should be sold in open competition as were United States bonds.

"I do not," said Mr. Morgan. He said there was plenty of competition for railroad securities.

Mr. Undermyer asked where there could be competition between the New Haven road and Morgan & Co. in the sale of New Haven securities.

"They may want a great deal more for them than we think they are worth," said Mr. Morgan.

"Do you think it would be better for the railroad to be able to offer its securities to another banking house?"

"No, I do not," returned Mr. Morgan. He added that the position of the banking houses often had much to do with the stability and success of corporations.

"There's another point about it," he added. "You must remember that all securities sold and issued are not always good and when there is a responsible fiscal agent there is moral strength behind them."

"Will you name any instance of a railroad bond proving bad, where your firm has had to pay the loss?" asked Mr. Undermyer.

"I can't remember any case, but I know there have been several," said Mr. Morgan.

"All of that comes out of the security holders' pockets, out of the property."

"But that eventually comes out of the security holders," suggested the attorney. "Look over the whole history of the railroad and see if you can find one case where the banker has had to stand the loss."

"Well, I've had a good deal of railroading," he interrupted Mr. Morgan, with a smile.

"Yes, that's why I'm asking you about it," rejoined Mr. Undermyer.

Mr. Morgan said he could recall no specific case.

Mr. Undermyer returned to the fiscal arrangement with the United States Steel Corporation.

"Did you not name the entire board of directors of the United States Steel Corporation?" asked Mr. Undermyer.

"I think I passed on it."

"But didn't you hand out a slip containing the names?" "If passing on them is passing on the names, I am glad to assume all the responsibility," said Mr. Morgan.

"But didn't you say you should go on and say 'off' to the president?" "I possibly did the latter," replied the attorney, and a laugh swept out from the crowd.

Mr. Morgan said he had not passed on all who were on the board of the Steel Corporation, but said no members had ever gone on the board against his protest.

Mr. Undermyer asked if Mr. Morgan had not named Judge E. H. Gary for Chairman of the Steel Corporation Finance Committee when George W. Perkins resigned.

"I think so. It's very probable. I don't remember now."

"Who fixed the prices at which the various subsidiary companies should go into the organization?" asked Mr. Undermyer.

"I approved the price," said Mr. Morgan.

"But it was left to you to determine the price at which the banks were to take the securities?" "Yes, but I wasn't always able to get them at the price we wanted."

SELECTION OF J. P. MORGAN & CO. EX-OFFICIO.

"Which committee of the Steel Corporation selects the banks to take the funds shall be deposited?" "The Finance Committee."

"Who selected J. P. Morgan & Co.?" "It was the committee," said Mr. Morgan. "I was sort of asked to join Morgan & Co. then had the whole company and its funds naturally came to us."

"You thought it would be a profitable business?" suggested Mr. Undermyer.

"We did not know then whether it would be profitable or not," said Mr. Morgan. "It didn't look much like it when I was asked to join."

Mr. Morgan added he had bought all the Steel stock he could get hold of, that he had never lost confidence in the Steel Corporation and that he had never advised any one to sell. He knew of no pools or syndicates formed to deal in Steel stock.

"I have no doubt that there had been pools formed without our knowledge," he added. "But I know of none."

Mr. Undermyer took up the sale of large issues of stocks.

Mr. Morgan said that in some instances stock issues were underwritten by syndicates formed by his firm. He explained that the personnel of the syndicate was generally different. Mr. Undermyer wanted to know if there existed a list of names from which those syndicates were made up.

"It depends something on the nature of the securities," said Mr. Morgan. "The class we would offer one kind of securities to we would offer another."

MANY BANKS DO NOT WANT TO PARTICIPATE.

"These syndicates have been generally profitable to banks and those who participated, have they not?" asked Mr. Undermyer. "Yes, generally. If they had not the members would not go into them."

Mr. Morgan said many banks and trust companies in New York were allowed to participate in the syndicates.

Mr. Undermyer asked that Lee Higginson Company of Boston, the First National Bank of Chicago and other institutions often wanted to participate in the syndicates.

"They don't work with us, but they

take or refuse an offer we make," said Mr. Morgan.

"The stock often refuse, do they?" "Oh, yes, often."

"Then you offer them another opportunity?" "Yes, sir."

Mr. Undermyer asked if there were not many banks in New York not allowed to participate in the Morgan underwritings.

"Many don't want to participate," replied the witness.

Mr. Morgan's throat became husky and he turned to his daughter, Mrs. Batterlee, and asked for a throat lozenge. Mrs. Batterlee produced it from a handbag.

"Do you want a glass of water?" asked Mr. Undermyer.

"No, thank you," said Mr. Morgan.

"If you get tired," suggested Mr. Undermyer, "don't hesitate to say so."

"I'm not tired," returned the financier.

"Can you tell us of the amount of securities marketed by your firm year by year?"

Mr. Morgan could not say. He did not believe could amount to \$100,000,000 a year. He agreed to furnish a statement to show the amount.

"I think it's generally overestimated," he remarked.

"OH, NO, ONLY ABOUT A MILLION DOLLARS' WORTH."

Mr. Morgan took up the relations of the Morgan firm and the First National Bank, which he referred to as "Baker's bank." He said he personally, had been close to George F. Baker "since 1883."

He said the two firms worked together in the sale of bonds and stock issues. Mr. Morgan could not remember when the First Securities Company was organized or whether it was ever a part of the Morgan firm.

Mr. Morgan said his son, not himself, was a director in the National City Bank.

"But you are a large stockholder," suggested Mr. Undermyer. "Oh, no, only about a million dollars' worth."

Mr. Morgan said he seemed surprised at the general laughter that greeted the answer, but joined in it.

Mr. Undermyer asked if he were a large stockholder in the National Bank of Commerce.

"No," said Mr. Morgan, "maybe a million dollars." He consulted a moment with Henry P. Davidson, one of his partners, and said \$100,000 worth of stock in the Bank of Commerce was held by his firm, and \$900,000 worth by partners in the firm.

Mr. Morgan said he was a stockholder in the Bank of Commerce, but he was not a director. He said he was a stockholder in the Bank of Commerce, but he was not a director.

Mr. Undermyer asked if the Morgan house did not look after the property and welfare of the banks in which it held holdings.

"We do not bother ourselves much about that, they look after themselves," said Mr. Morgan.

"But members of your firm are on their boards of directors?" "Yes."

"And they are supposed to look out for the interests of your firm?" "Yes."

"And they give their time to it?" "Yes. I have always said they give too much time to it," said Mr. Morgan.

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not believe that from one to three men on each board of directors could exercise control," said Mr. Undermyer.

"You take three men and put them in all those banks. In one bank they are three out of fifteen, in another three out of twenty, in another three out of ten," he said.

"But through a voting trust they might have appointed all the board of directors," suggested Mr. Undermyer.

"They could not control the bank so long as they were in the minority," said Mr. Morgan. "I don't think I could carry any proposition through any board of directors against the wishes of the stockholders."

"Without control you can't do a thing. Control is the important thing. Now you speak of a money trust, no one can get control of all the money."

"You mean no one man could monopolize money?" "Yes, that's it."

"But when a man has a vast power such as you have, you can't do anything," said Mr. Morgan.

"Don't you feel it?" asked the lawyer. "No, I don't," replied the financier.

"No man, you think, could keep great control of money?" asked Mr. Undermyer. "You believe that when he abuses his power he loses it?"

"That's right," said Mr. Morgan. "The question of control is personal as to money and credit. All the money in Christendom and all the banks in Christendom could not control money. There could be no money trust."

Mr. Undermyer asked if men had not monopolized railroads and industries.

"I am not discussing the question of railroads or merchandise; I'm talking about money and credit," said Mr. Morgan. He said a man might get control of the former, but could not get the latter.

Mr. Undermyer asked whether Mr. Morgan thought competition among banks or concentration would be better.

"I'd rather have competition," replied Mr. Morgan when pressed for an answer.

He said he thought several men could be directors in different banks and competition still be maintained between the banks. He added that he did not believe one man should run a great enterprise.

"Don't you run your firm?" "No, I do not."

He said he did not favor one man control of great enterprises of any kind.

"You believe in concentrated power?" asked Mr. Undermyer.

"Well, that is a question of personal power, of personality," replied Mr. Morgan.

Mr. Undermyer asked about the possibilities of competition between the Guaranty Trust Company, the Bankers Trust Company and the Bank of Commerce.

Mr. Morgan said that he knew nothing of the details of the management of those concerns. He said that the Bankers Trust and Guaranty companies had taken in seven other companies and really represented nine old trust companies.

"That is an example of combination and concentration," said Mr. Undermyer. "How far do you think they ought to be allowed to go?"

"I think they have not gone far enough," said Mr. Morgan. "You don't think they ought to absorb any more?" "No. They may be forced to take in some more companies."

"Forced, for the good of the companies absorbed?" "Yes, I think so."

"You know that there is cumulative voting in the Pennsylvania Railroad. Under that plan one-seventh of the stockholders can get together and elect directors and the Bank of Commerce, Mr. Morgan said, that he knew nothing of the details of the management of those concerns.

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the Reading road?" asked Mr. Undermyer. "No, sir; if we do I don't know it," said Mr. Morgan.

"You don't think you have any power in any line of industry in this country?" "No, I do not," said Mr. Morgan.

"Your power in any direction is entirely unnecessary to you?" "Yes, sir."

"Well, let's see about this concentration situation," said Mr. Undermyer. "You look over the Baldwin Locomotive Works?" "Yes. We handle their securities."

Prior to that time the American Locomotive Company had been formed?" "Yes."

"Now, assuming that you and Mr. Baker control the great railroad systems of this country and between you you are interested in the American Locomotive Company; what chance do you think a new locomotive company would have to succeed?" "I think it would have a good chance. We could not buy our locomotives all from one company."

"Do you think it is a healthy condition to have the interests in the supply companies to be identical with the interests of the railroads that buy supplies?"

Mr. Morgan said he did.

Mr. Undermyer asked Mr. Morgan if he knew anything about the organization of the New York, Wyoming and Western Railroad to open up new investments in the West. This railroad figured in the recent "hard coal" cases before the Supreme Court, where it was held that the Temple Coal and Iron Company had arranged for Mr. Morgan to buy the railroad.

Mr. Undermyer asked if Mr. Morgan knew Robert Bacon, a former member of his firm, had gone into the coal field and bought up the collieries, so that the new road was not built. Mr. Morgan said he knew nothing about it.

The consolidation of the Lake Shore and Michigan Central railroads into the New York Central lines was brought up by Mr. Undermyer.

"You believed in buying up the competing line?" "Why, sure."

Mr. Undermyer asked about the consolidation of the Northern Pacific and the Great Northern Railroads in the Northern Securities merger.

"What was your idea as to the reason for that?" "I don't know," said Mr. Undermyer. "I don't know."

Mr. Undermyer then began a series of questions about the relations of the United States Steel Corporation, but interrupted himself.

"I will not go into that," he said. "That is not in litigation and I will not question you about it."

Mr. Morgan testified that he bought control of the Equitable Life Assurance Society from Mr. Ryan and Mr. Harrison. He secured a loan of about \$1,000,000 of work for which he paid about \$300,000.

"The company pays 7 per cent. dividends?" "Yes."

"That is \$7.10 on your stock?" "Yes."

"About one-eighth or one-ninth of one per cent. on the investment?" "Yes."

Mr. Undermyer asked to know if James Stillman and George F. Baker were interested in the purchase of the Equitable. Mr. Morgan conferred with Mr. Undermyer, and then answered the question and finally said Mr. Baker and Mr. Stillman had agreed to take one-half of the investment of his hands, if at any time he wanted them to.

Mr. Morgan said he was not knowing why Mr. Morgan had thought it good business to buy the Equitable stock at a price that paid only one-ninth of one per cent. interest.

Mr. Morgan said he thought it was "good for the situation."

Mr. Undermyer asked why it was not just as "good for the situation" in the hands of Mr. Ryan and Mr. Harrison.

"I don't know," said Mr. Morgan. "But you thought it was better for you to have it?" "That's the way it struck me."

"That is all I have to say about it."

"The assets of the Equitable Company are something over \$500,000,000?"

"I think about that," said Mr. Morgan. "I think that's a very good plan."

He added he would not cumulative voting if it would secure that result.

Mr. Morgan observed that the figure showing stock-voting methods in foreign banks was introduced by Mr. Undermyer seemed to indicate control by what resembled "voting trusts."

"They could simply put their stock under different names and evade that law?" "I don't want to suggest that, but it could be done," he said.

"But they don't allow that sort of hocus-pocus over there," remarked Mr. Undermyer. "I think the records will show differently." He returned, "There is no place where mergers and consolidations have taken place to any extent they have in Great Britain," Mr. Morgan added.

Mr. Undermyer declared under the English system there were many groups of bankers entirely independent of each other, and that persons desiring to finance a proposition could go to any one of them.

Mr. Morgan said he did not believe there was any great combination among bankers in the United States.

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er he could make as to his purchase of the stock was that he "thought it was the thing to do."

"I am ready to stand before the community on that," he declared.

Data bearing on the proposed mutualization of the Equitable Company was presented by Mr. Morgan's attorneys and put into the record.

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